



Kern Oil & Refining Co.

7724 E. PANAMA LANE
BAKERSFIELD, CALIFORNIA 93307-9210
(661) 845-0761 FAX (661) 845-0330

VIA ELECTRONIC MAIL AND REFINERYBENCHMARK-WS

March 7, 2014

Rajinder Sahota
California Air Resources Board
1001 I Street
Sacramento Ca, 95814

Re: Comments on Cap and Trade Informal Discussion Draft Dated February 26, 2014

Dear Ms. Sahota:

Kern Oil & Refining Co. (Kern) is providing comments on the Informal Discussion Draft (Discussion Draft) of the Cap and Trade Regulation (Regulation) related to Refinery Sector Allocations dated January 31, 2014. Kern is a small, privately owned petroleum refiner located in Bakersfield, California, in the southern San Joaquin Valley. Kern has operated for over 70 years and employs approximately 120 employees. Kern's refining capacity is 27,000 barrels per stream day.

Kern continues to support the California Air Resources Board's (ARB) proposal to separately benchmark "atypical" refineries and which appropriately acknowledges the structural constraints imposed by size and complexity and that imposition of a single benchmark would codify an unfair competitive disadvantage for smaller, less-complex refineries. As a small, less-complex California refinery, Kern has been acutely aware of the uneven playing field of the California refinery sector. Kern is appreciative of the analysis performed by ARB Staff that underlies their proposal to separately benchmark atypical refineries and to adopt the full CWB methodology, inclusive of the off-site adjustment. Kern supports the proposal to define "atypical" facilities as those having less than 12 process units and less than 20 million barrels crude through the atmospheric distiller per allocation year, which Staff stated was a natural size and complexity break for the refining sector.

Kern would also like to reiterate how important the establishment of the atypical benchmark is to our companies and our employees. We appreciate the work Staff has done to examine and ultimately justify the establishment of an atypical benchmark. As a smaller company, Kern is less able to absorb regulatory costs and ensuring fair treatment of our facilities is critical. We urge you to support Staff's current proposal and the recognition of atypical refineries.

Ms. Sahota, ARB

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Staff's proposal further addresses nearly all of our previous concerns regarding the "jointly operated" criteria as part of the "atypical refinery" definition, in large part by lowering the Primary Refinery Products threshold to less than 10% of a refinery's atmospheric crude distillation. Moving forward, we are hopeful we can do better from a process prospective with earlier substantive engagement on regulatory issues with Staff.

Thank you for your consideration of these comments. If you have any questions, or if we can provide any additional detail, please do not hesitate to get in touch. As always, we are committed to working with Staff throughout this regulatory process.

Sincerely,

A handwritten signature in blue ink, appearing to read 'mllhicks', with a stylized flourish at the end.

Melinda L. Hicks
Manager, Environmental Health and Safety
Kern Oil & Refining Co.